



City of Loma Linda Official Report

Floyd Petersen, Mayor
Karen Hansberger, Mayor pro tempore
Robert Christman, Councilmember
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COUNCIL AGENDA: December 16, 2003
TO: City Council
VIA: Dennis R. Halloway, City Manager
FROM: Diana De Anda, Finance Director
SUBJECT:

RECOMMENDATION

Adopt proposed Capital and Infrastructure Asset Capitalization and Inventory Control Policies.

BACKGROUND

In June 1999, the Governmental Accounting Standards Board ("GASB") issued Statement No. 34 ("GASB 34") titled "Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments", known as the "New Governmental Financial Reporting Model" ("New Reporting Model"). This statement established a new financial reporting format for state and local governments, and represents the largest single change in the history of governmental accounting and financial reporting.

One of the most significant changes in the New Reporting Model is the capitalization and depreciation of the City's "infrastructure assets" (e.g. roads, street lighting systems and drainage systems) that will require the preparation of the necessary detailed infrastructure inventory. Prior to the adoption of the New Reporting Model, the financial statements of public agencies generally only included capital assets such as land, buildings and improvements, machinery and equipment; and only depreciated those capital assets in enterprise fund types. After adoption of the New Reporting Model, the City's financial statements will include roadways, street lighting systems, drainage systems and other infrastructure assets.

In many cities and governmental agencies, infrastructure systems were constructed using debt financing. After the adoption of the New Reporting Model, financial advisors and other interested parties will be able to compare the agency's cost and depreciated value of infrastructure assets with the amount of debt used to finance their construction. In addition, the City Council, staff, financial advisors and the City's residents will be able to analyze the amount of investment and the depreciated book value of the entire infrastructure of the City.

The City is required to implement GASB 34 with the issuance of its audited financial statements for fiscal year 2002-2003, which are currently being prepared by the City's Auditors. Prospective reporting of infrastructure assets in the financial statements is required in the year of implementation. Retroactive reporting of infrastructure assets acquired prior to fiscal year 2002-2003 and after 1980 is encouraged for early implementation, but not required until fiscal year 2006-2007. Due to the amount of effort and staff time necessary to assess the valuation of the City's infrastructure assets, retroactive reporting of infrastructure will be completed in fiscal year 2003-2004.

ANALYSIS

Consideration of Use of the Depreciation Reporting Method or Modified Approach for Infrastructure Reporting

Depreciation Reporting Method

The depreciation reporting method is currently utilized for the City's buildings and equipment and has been formalized in the Capital Asset Capitalization and Inventory Control Policy presented for your adoption. In accordance with General Accepted Accounting Principals ("GAAP"), land is never depreciated. The City's buildings, computer software, equipment and furniture are depreciated using the straight-line method with the half-year convention over the estimated useful life of the assets. The accounting concept of depreciation allows for the systematic reduction of the carrying value of assets (e.g. buildings, equipment, roadways and sewers) over the period of time they are used. The historical cost is divided by the estimated useful life (in years) to determine the annual charge for depreciation. The half-year convention takes one half-year depreciation in the year the asset was acquired and one half-year when the asset is disposed of. The resulting "net book value" is computed by subtracting the total accumulated annual depreciation from the historical cost, as the following example demonstrates:

Assumptions:

Historical cost - computer network installed in early FY 99-00 \$250,000

Estimated useful life 3 years

Depreciation charges over the life:

FY 1999-2000	\$41,667
FY 2000-2001	\$83,333
FY 2001-2002	\$83,333
FY 2002-2003	\$41,667

Net book value of computer network installed in FY 99-00:

Historical cost - computer network installed in FY 99-00	\$250,000
Less: total accumulated depreciation through the end of FY 01-02 (\$250,000 divided by 3 years estimated useful life, multiplied by 2.5 years of service equals \$208,333)	<u>(208,333)</u>

If the depreciation reporting method is used for reporting infrastructure assets, a one-time determination of the estimated historical cost, useful life and net book value will be necessary. Annual depreciation is calculated and recorded as an expense in the current reporting period and a proportionate reduction of the net book value of the asset.

The use of the depreciation reporting method offers the following advantages to the City:

- Comparability – Based upon discussions with the City’s auditors, other California municipal finance officers and GASB 34 consultants, only major metropolitan cities will adopt the Modified Approach (the alternative described below);
- Simplicity – The use of the depreciation reporting method enables integration of the accounting method currently used by the City and all other non-governmental organizations;
- Cost Savings - Based upon discussions with other municipal finance officers and the City’s auditors, Finance staff believes the cost of initial implementation, future evaluations, recordkeeping, and reporting upon the Modified Approach would cost thousands of dollars in consultant fees and a significant amount of staff time.

Modified Approach

The City has the option of choosing the “Modified Approach” for infrastructure assets, but only if it satisfies the following requirements.

- The City must develop and maintain an up-to-date inventory of its infrastructure assets.
- The City must perform or obtain condition assessments of the infrastructure assets and summarize the results using a reliable measurement scale. It is essential that such condition assessments be replicable by other measurers to reach substantially similar results.
- The City must determine an annual estimate of the cost to maintain and preserve the infrastructure at a condition level established and disclosed by the City.
- The City must assert and document that infrastructure assets are being preserved at or above the condition level established and disclosed by the City.

If the modified approach were elected for its infrastructure, the City would be required to present two types of information regarding the assets. First, the results of the three most recently completed condition assessments must be presented to demonstrate that infrastructure assets have been maintained at or above the condition level established by the City. Second, an estimate of the dollar amount needed to maintain or preserve infrastructure assets at the level established by the City, and actual amounts of expense for each of the past five reporting periods must be disclosed. The purpose of the second disclosure is to allow readers of the financial

statements to make their own assessment of the City's long-term commitment to maintaining infrastructure assets.

As described previously in this report, Finance staff believes the cost of performing the conditional assessment of the three previous years would be substantial. Additionally, Finance staff believes the cost of performing future evaluations, recordkeeping, and reporting using the modified approach would be thousands of dollars annually. Because of the significant cost, it appears that only very large local governments will elect to use the modified approach. In addition, governmental accounting industry leaders have stated that in the event infrastructure assets are not maintained at the established condition level, the local government's bond rating would likely fall to an unacceptable risk category and may even require the return of Federal and State funds.

It should be noted that selecting a method does not permanently commit the City to that method. The method may be changed at a future date, as the City's needs change. Upon review of both methods, staff recommends the use of the depreciation reporting method for infrastructure assets and the adoption of the Infrastructure Asset Capitalization and Inventory Control Policy. Additionally, staff recommends the adoption of the Capital Asset Capitalization and Inventory Control Policy to formalize the current capital asset (non-infrastructure asset) accounting practices adopted by the City over the years.

ENVIRONMENTAL

None Known

FINANCIAL IMPACT

Estimated staff time to perform infrastructure inventory valuation and accumulated depreciation calculation:

Accounting Manager – 80 hours
Senior Account Clerk – 120 hours
Engineer – 80 hours
Engineering Tech – 80 hours

CITY OF LOMA LINDA
Capital asset Capitalization and Inventory Control Policy

PURPOSE

The purpose of this policy is to ensure adequate control and appropriate use of City capital assets. The procedures are intended to define capital assets and to establish guidelines for budgeting, purchasing, using, financial reporting, logging, inventorying, transferring, depreciating, and disposing of capital assets. This policy does not apply to infrastructure assets.

POLICY

It is the policy of the City of Loma Linda that capital assets be used for appropriate City purposes and be properly accounted for and secured. It is the responsibility of the Finance Department to ensure capital assets will be tagged, inventoried on a regular basis, and accounted for by fund and asset category. It is the responsibility of City Department Heads to ensure that proper budgeting and purchasing guidelines are followed, that capital assets are adequately controlled and used for appropriate City purposes, and to secure such capital assets.

SCOPE

All Departments are subject to the provisions of this policy.

OBJECTIVES

The City of Loma Linda's capital asset policy has two (2) objectives:

- 1 Accounting and Financial Reporting. To accurately account for and report capital assets in financial reports issued to the City Council, external reporting agencies, granting agencies, and the public.
- 2 Safeguarding -To protect its (fixed) assets from loss or theft.

In meeting the two objectives, the City has established a Capitalization Policy and an Inventory Control Policy, providing specific guidance to determine which capital assets are subject to separate accounting and reporting (i.e., Capitalization) and safeguarding (, i.e., Inventory Control), respectively.

The Finance Department is responsible for, and has established, systems and procedures through which both objectives are met. These systems and procedures are used to identify, process, control, track, and report City capital assets.

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Capital asset Capitalization and Inventory Control Policy

Capitalization Policy (Accounting and Financial Reporting)

In general, all capital assets, including land, buildings, machinery and equipment, furniture and fixtures, with an original cost of \$1,000 or more, will be subject to accounting and reporting (capitalization). All costs associated with the purchase or construction should be considered, including ancillary costs such as freight and transportation charges, site preparation expenditures, installation charges, professional fees, and legal costs directly attributable to asset acquisition. Specific capitalization requirements are described below.

- The capitalization threshold is applied to **individual units** of capital assets. For example, ten desks purchased through a single purchase order each costing \$500 will not qualify for capitalization even though the total cost of \$5,000 exceeds the threshold of \$1,000.
- The capitalization threshold will generally not be applied to **components** of capital assets. For example, a keyboard, monitor, and central processing unit purchased as components of a computer system will not be evaluated individually against the capitalization threshold. The entire computer system will be treated as a single capital asset.
- **Repairs** to capital assets will generally not be subject to capitalization unless the repair extends the useful life of the asset. For example, a new engine costing \$5,000 is installed on a fire truck that had an original life of 20 years with only 3 years remaining life, the new engine will increase the useful life by 10 years. In this case, it represents an improvement and is subject to the capitalization policy and should be evaluated separately.
- **Improvements** to existing capital assets will be presumed (by definition) to extend the useful life of the related capital asset and, therefore, will be subject to capitalization only if the cost of the improvement meets the \$1,000 threshold. In theory, an improvement to a capital asset that had an original cost of less than \$1,000, but now exceeds the threshold as a result of the improvement, should be combined as a single assets at the total cost (original cost plus the cost of the improvement) and capitalized.
- **Capital projects** will be capitalized as "construction in progress" until completed. Costs to be capitalized include direct costs, such as labor, materials, and transportation, indirect costs such as engineering and

CITY OF LOMA LINDA
Capital asset Capitalization and Inventory Control Policy

construction management, and ancillary costs such as construction period interest.

Inventory Control Policy - (Safeguarding)

Department Heads are responsible for safeguarding capital assets under their control from theft or loss. However, the Finance Department is responsible for establishing and maintaining systems and procedures that enable Department Heads and program managers to properly safeguard assets.

In general, Inventory Control is applied only to *movable* capital assets such as Machinery and Equipment and Office Furniture and not to land, buildings, or other *immovable* capital assets. Capital assets subject to inventory control will be accounted for and controlled through the same systems and procedures used to account and control capital assets subject to capitalization.

Capital assets will be subject to inventory control if they meet at least one of the following criteria:

- a. The original cost of the capital asset is equal to or greater than \$1,000.
- b. Any asset that cost less than \$1,000 as requested from a department. This may include certain machinery and equipment that, due to portability, value outside of the office, or character, are susceptible to theft or loss. It may also include an asset that has been requested by a department to be controlled in order to satisfy an internal (operational) or external requirement. For example, Information Systems may wish to inventory all computer hardware and software to establish replacement and upgrade requirements for both hardware and software.
- c. An asset required to be controlled and separately reported pursuant to grant conditions or other externally imposed reporting requirement. *For example, a grant program that has funded the acquisition of a capital asset may impose a requirement that the capital asset be tracked and identified as a grant-funded asset.*

TAGGING

The purpose for tagging assets is to provide an efficient mechanism for inventorying capital assets. A tag is a label, stating this asset is "Property Of: City of Loma Linda" with

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Capital asset Capitalization and Inventory Control Policy

a number, that is affixed to each asset that is to be inventoried. The tag should be placed in an inconspicuous, but accessible place on the asset, for example, on the back of a computer component or the inside leg of a chair.

Why Tag An Asset

- A. To provide accountability for the assets, ensuring the asset assigned to a Department is controlled and accounted for by a specific department/person.
- B. To help determine asset replacement cost and life.
- C. To provide the City's outside auditors with a mechanism to verify that the City is in control of capital assets and to provide an accurate record of the City's capital expenditures.

Should this Asset Be Tagged?

- A. Yes, if cost of asset is greater than \$1,000 and useful life is greater than one year.
- B. Yes, if it is physically possible/practical to tag and meets the dollar and life guidelines.
- C. Yes, if it is an asset that is handled frequently, has a high cost, and/or is likely to be stolen.
- D. Yes, if the asset needs to be controlled due to high incidence of theft/misplacement/ borrowing.
- E. Generally no, if the asset cost is less than \$1,000. However, the Department Head and/or Finance may choose to tag items that cost less than the \$1,000.
- F. No, if the asset will be used up within one year.

Who is Responsible for Tagging the Asset?

The Finance Department, with assistance from the Departments, will be responsible for tagging capital assets.

PURCHASING CAPITAL ASSETS

1. The asset you are requesting should have already been included in the current year's budget. Verify this, by reviewing your specific program account budgets in the financial system.
2. If asset is not in the budget, you must contact Finance to determine appropriate action.

CITY OF LOMA LINDA
Capital asset Capitalization and Inventory Control Policy

3. In the financial system enter your Requisition Request (Refer to Eden manual on network). On the Item line(s) indicate whether this purchase is a capital asset and multiple assets by checking the box(es) to the right of the item(s) description.
4. Fill out an Asset Acquisition Form (see attachment I) located on the network in the Public drive-forms folder. This form has been revised to include Capital asset information such as: Account number, department, location, and building that will contain the asset; and whether the asset is to be tagged or not.

TRANSFERRING AN ASSET TO ANOTHER DEPARTMENT/LOCATION/BUILDING

1. Use the "Asset Transfer" sheet (see Attachment II).
2. Fill out sheet and obtain Finance approval prior to transferring the asset.
3. Make sure you have identified the correct department, location, and building numbers, as well as the tag number on the sheet.

DISPOSAL OF SURPLUS PROPERTY

The City Administration has adopted a policy of disposing of surplus property by sending the equipment to auction or donating to non profit agencies. Equipment for purposes of the policy includes furniture, fixtures, machinery, and equipment. Obsolete computers are an example.

Such equipment is accumulated in a central location at the Corporation Yard and the Departments will periodically develop a list of agencies that may want the equipment. Equipment not selected will be considered obsolete and disposed of either by donation to a thrift shop or sending it to an auction.

Other surplus property, with the approval of the City Manager, can either be sold to any public or private person or entity, transferred from one department to another department, recycled or disposed of as junk to a landfill or other appropriate waste removal facility.

Value of Property: It shall be the responsibility of each department to appraise property designated as surplus. If it is determined that the property sold as a unit has a market value of more than \$5,000, the property must be disposed of by a sealed bid process in accordance with City purchasing guidelines. The sealed bid process will be coordinated in conjunction with each respective department and the City Manager. The City Clerk is authorized to advertise such surplus property for sale to the general public. If it is determined that the property sold as a unit has a value less than \$5,000, the property may be disposed of in a manner approved by the City Manager.

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Capital asset Capitalization and Inventory Control Policy

Disposal Process: Prior to the disposal of any surplus property, each department is required to complete a Surplus Property Transfer Form (see attachment III) and return it to the City Manager for approval and to Finance for processing.

Proceeds from the disposal of surplus property will be allocated to the City's General Fund unless the property was originally purchased with monies from a specific City Fund, in which case, the proceeds will be returned to that specific fund.

HOW TO RETIRE/DISPOSE OF AN ASSET

Prepare the Asset Disposition Form (see attachment IV). Include the sale value, if the asset is being sold (if not known, Finance will fill in when asset is sold). Submit form to Finance for approval, Finance will review for coding. Do not bring the asset to Finance. Once the Asset Disposition Form has been completed and approved, contact Public Works to coordinate asset pick-up. Upon retirement/disposal of asset, Public Works will return copy of above form to Finance. At this time, Finance will remove the asset from the Capital asset database.

DEPRECIATION

Capital assets will be depreciated using the following guidelines:

Each capital asset will be added to one of the following categories.

Category Code	Category Class	Category Description
1082	L	Land
1083	B	Buildings & Structures
1085	I	Improvements other than buildings
1084	M	Machinery and Equipment
1084	M	Vehicles
1084	M	Furniture and Fixtures
1084	M	Office Equipment
1084	M	Equipment under lease purchase
1090	C	Capital Improvement Project (CIP) in progress

Examples of items included in each category follow.

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1082. Land is any real property such as land , easements, land lease, etc.

1083. Buildings are structures permanently affixed to land.

1085 Improvements other than buildings are land improvements such as parking lot pavement and improvements, fencing, etc.

1084. Machinery and Equipment items are in the nature of tools such as saws, lathes, and items used in construction, repair, or manufacturing, and special purpose equipment such as items in an audio visual or television studio. This category may include special purpose vehicles such as dump trucks and delivery vans.

1084. Vehicles are generally automobiles and small trucks.

1084. Furniture and fixtures are office furniture, file cabinets, etc used to furnish office.

1084. Office equipment includes computers, fax machines, calculators, etc.

1084. Equipment under lease purchase includes items that are being acquired using lease financing.

1090. Capital Improvement Project In Progress is a holding account for expenditures that will be categorized upon their completion and placement in service.

Salvage value. Salvage value is ignored.

1084. Computer Software acquired or developed for internal use (for example, general ledger systems and utility billing systems) will be capitalized as an intangible assets and amortized over its useful life. Other computer software programs, such as off-the-shelf program (Windows, Windows Office, etc.), are not capitalized because of there short useful life and the high annual maintenance and upgrade costs.

Depreciable lives. The categories above are assigned the following depreciable lives.

Category Code	Category Class	Category Description	Depreciable Life
1082	L	Land	N/A
1083	B	Buildings & Structures	15-55
1085	I	Improvements other than buildings	15-55
1084	M	Machinery and Equipment	10-15

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Capital asset Capitalization and Inventory Control Policy

1084	M	Vehicles	5
1084	M	Furniture and Fixtures	7
1084	M	Office Equipment	3
1084	M	Equipment under lease purchase	3
1090	C	Capital Improvement Project (CIP) in progress	N/A

Depreciation convention. Depreciation is computed using the straight-line half-year convention. Depreciation is computed for six month in the year of acquisition and six months in the year of disposition.

CITY OF LOMA LINDA
ASSET ACQUISITION FORM

Requires Tag	Yes	No
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Description:

Acquisition Date:

Vendor:

Original Cost:

Requisition #:

Acquisition Method

☐ Purchase

☐ Construction

☐ Lease

☐ Other

☐ Donation

Manufacturer:

Model:

Serial #:

Department:

Room Location:

Building Location:

Account #:

Project #:

ASSET TRANSFER FORM

(This form must be completed whenever an asset is moved from one location to another.)

	Transferred From:		Transferred To:	
Department				
Activity				
Location	Bldg:	Room:	Bldg:	Room:

Reason for Transfer:
Authorized Signature of Releasing Dept. _____

Item #	Asset Tag #	Serial #	Description
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			

Received By	_____	Date	_____
Finance Computer Entry	_____	Date	_____

SURPLUS PROPERTY TRANSFER FORM

(This form must accompany the transfer of any surplus equipment.)

Request Date:	Locations:
	From:
Transferring Dept:	To: _____ Warehouse Surplus
Transferring Division:	_____ Other, please specify _____

Item #	Asset Tag #	Serial #	Description
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			

Justification for Surplus:
Authorized Signature of Releasing Dept. _____

Removal/Transfer Completed by _____	Date _____
Surplus Received by _____	Date _____
Fixed Asset System Updated by _____	Date _____

ASSET DISPOSITION FORM

(This form is to be completed upon the disposition of capital assets, with the exception of equipment for surplus)

Date of Disposition _____	
Department _____	Division _____

Justification for Disposition:
Authorized Signature _____

Item #	Asset Tag #	Serial #	Description
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			

Check One:
<input type="checkbox"/> Sold (Please see page #2 and attach supporting documentation.)
<input type="checkbox"/> Lost (Please include complete description of circumstances surrounding loss.)
<input type="checkbox"/> Donated to outside organization (Please attach supporting documentation.)
<input type="checkbox"/> Traded In (Please see page #2 and attach supporting documentation.)
<input type="checkbox"/> Reassigned for use as source of parts
<input type="checkbox"/> Stolen (Please attach police report or complete description of circumstances.)
<input type="checkbox"/> Destroyed (Please include complete description of circumstances.)
<input type="checkbox"/> Other, Please explain _____
<div style="display: flex; justify-content: space-between;"> <div>_____</div> <div>_____</div> </div> <div style="display: flex; justify-content: space-between;"> <div>Department Head Approval</div> <div>City Manager Approval</div> </div>

ASSET DISPOSITION FORM

(This form is to be completed upon the disposition of capital assets, with the exception of equipment for surplus)

_____ Sold For \$ _____ by means of :

Public Auction _____

Sealed Bid _____

Selling for Scrap _____

Negotiated Sale _____

Proceeds Returned To Fund _____

_____ Traded For _____ (Other Asset)

_____ Traded Into _____ (Vendor Name)

_____ Transferred To _____ (Dept)

CITY OF LOMA LINDA
Infrastructure Asset Capitalization and Inventory Control Policy

PURPOSE

The purpose of this policy is to ensure adequate control and appropriate use of City infrastructure assets. The procedures are intended to define infrastructure assets and to establish guidelines for budgeting, purchasing, using, financial reporting, logging, inventorying, transferring, depreciating, and disposing of infrastructure. This policy does not apply to capital assets.

POLICY

It is the policy of the City of Loma Linda that infrastructure assets be used for appropriate City purposes and be properly accounted for and secured. It is the responsibility of the Engineering Department to ensure infrastructure assets are identified and inventoried on a regular basis. It is the responsibility of the Finance Department to assure that infrastructure assets are accounted for by fund and asset category. It is the responsibility of all City Department Heads to ensure that proper budgeting and purchasing guidelines are followed, that infrastructure assets are adequately controlled and used for appropriate City purposes, and to secure such infrastructure assets.

SCOPE

All City Departments are subject to the provisions of this policy.

OBJECTIVES

The City of Loma Linda's infrastructure asset policy has two (2) objectives:

- 1 Accounting and Financial Reporting. To accurately account for and report infrastructure assets in financial reports issued to the City Council, external-reporting agencies, granting agencies, and the public.
- 2 Safeguarding. To maintain infrastructure assets for the use and enjoyment of the community.

In meeting the two objectives, the City has established a Capitalization Policy and an Inventory Control Policy, providing specific guidance to determine which infrastructure assets are subject to separate accounting and reporting (i.e., Capitalization) and safeguarding (, i.e., Inventory Control), respectively.

The Finance Department is responsible for, and will establish, systems and procedures through which both objectives are met. These systems and procedures are used to identify, process, control, track, and report City infrastructure assets.

CITY OF LOMA LINDA
Infrastructure Asset Capitalization and Inventory Control Policy

Capitalization Policy (Accounting and Financial Reporting)

In general, all infrastructure assets, including streets, roads, sewer lines, water lines, sidewalks, traffic signals, with an original cost of \$10,000 or more, will be subject to accounting and reporting (capitalization). All costs associated with the purchase or construction should be considered, including ancillary costs such as design engineering, construction management, inspection, permits, insurance, freight and transportation charges, site preparation expenditures, installation charges, professional fees, and legal costs directly attributable to asset acquisition. Specific capitalization requirements are described below.

The capitalization threshold is applied to major general infrastructure assets. The determination of major general infrastructure assets should be at the network or subsystem level and should be based on these criteria:

- a. The cost or estimated cost of the subsystem is expected to be at least 5 percent of the total cost of all general capital assets reported in the first fiscal year ending after June 15, 1999, or
- b. The cost or estimated cost of the network is expected to be at least 10 percent of the total cost of all general capital assets reported in the first fiscal year ending after June 15, 1999.

The capitalization threshold will generally not be applied to components of infrastructure assets. For example, a manhole that is a component of a sewer system will not be evaluated individually against the capitalization threshold. The sewer system will be treated as a single infrastructure asset.

Repairs to infrastructure assets will generally not be subject to capitalization unless the repair extends the useful life of the asset. An example is the rehabilitation of various streets in a section of the City. In this case, it represents an improvement and is subject to the capitalization policy and should be evaluated separately. The entire cost will be capitalized. An example of repairs that would not be capitalized is the replace of carpet at the Civic Center.

Capital projects will be capitalized as "construction in progress" until completed. Costs to be capitalized include direct costs, such as labor, materials, and transportation, indirect costs such as engineering and construction management, and ancillary costs such as construction period interest.

Inventory Control Policy - (Safeguarding)

The Public Works Engineering Department is responsible for safeguarding infrastructure assets. However, the Finance Department is responsible for establishing and maintaining systems and procedures that enable the Engineering Department to properly safeguard assets.

CITY OF LOMA LINDA
Infrastructure Asset Capitalization and Inventory Control Policy

PURCHASING INFRASTRUCTURE ASSETS

The construction or acquisition of infrastructure assets is approved by the City Council.

HOW TO RETIRE/DISPOSE OF AN INFRASTRUCTURE ASSET

An infrastructure asset is usually only disposed of in connection with its replacement or reconstruction. The Engineering Department and the Finance Department must coordinate the identification of the new and old assets so the proper financial reporting may be accomplished. In rare cases the infrastructure asset can be abandoned by the City, in situations of this nature approval of City Council would be required to retire or dispose of the asset.

DEPRECIATION

Infrastructure assets will be depreciated using the following guidelines:

Each infrastructure asset will be added to one of the following categories with the category code of 1086.

Description	Depreciable Life
Streets, including grading, base, paving, striping.	50
Sidewalks, curb, and gutter.	50
Street trees, with or without grates.	50
Traffic signals.	30
Landscaped medians.	50
Parking meters.	30
Signs, street name, directional, caution, stop, etc.	30
Sewer laterals and mains.	50
Storm drain.	50
Water wells, reservoirs, laterals and mains	50
Conduit	50

Depreciation convention. Depreciation is computed using the straight-line half-year convention. Depreciation is computed for six month in the year of acquisition and six months in the year of disposition.